



**Small Great Nation**

The labour market of tomorrow – a party for everyone?

November 2021



# Preface

The Danish social model has justly received international attention in terms of ensuring an efficient and dynamic economy while also ensuring an appropriate income distribution. One of the things often highlighted is the Danish labour market model, called flexicurity, which combines a high level of labour market flexibility with a well-developed safety net.

The model is a result of a long tradition of collective agreements between the social partners that cover pay, working time and other conditions. Another characteristic is the collaborative democracy which enables parties to enter into broad agreements across the political blocks. One of the results of this is the implementation of comprehensive labour market reforms, backed by both sides of the Danish Parliament over the past 25 years.

In 2021, reforms of the labour market have again been on the political agenda. The government has presented its reform programme “Denmark Can Do More I”. Several opposition parties have tabled specific reform proposals, and a reform committee has been appointed that is to look at the potential of new reforms and that will submit recommendations sometime in 2021 and 2022.

In this report, we centre on the structural challenges faced by the Danish labour market. The dynamics in the Danish labour market are high compared to other countries. Our analyses indicate, however, that the flexibility of the labour market may be challenged.

The Danish social model is dependent on a high level of employment to sustain the balance of public sector revenue and expenditure. Young Danes not enrolled in education is a group that is often singled out because it holds an unreleased employment potential. One of our analyses show that, over the past 30 or 40 years, the group of uneducated 25-year-olds has grown much smaller yet weaker measured by employment and income. Here, the labour force potential is probably less than many would think.

Women’s pay drops compared to that of men once couples have their first child. Our analysis shows that the gap is larger for low-skilled women and narrower for couples where the male partner takes a larger share of the maternity leave. Much of the pay gap is probably caused by the family’s decisions when it comes to prioritising career, working time, and distributing chores. Earmarked leave might change some of that.

You can read about the results of these analyses and many others in this executive summary of the full Danish report. We also follow up on recommendations and ideas for the Reform Committee’s work from previous reports in the Small Great Nation project. We hope you enjoy the read!

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*Hans Jørgen Whitta-Jacobsen*, Professor at the University of Copenhagen  
and Senior Fellow at Kraka

*Michael Svarer*, Professor at Aarhus University and Senior Fellow at Kraka

*Jørgen Søndergaard*, Senior Fellow at Kraka

*Peter Mogensen*, Chief Executive Officer at Kraka



### **Small Great Nation**

In the Small Great Nation project, Kraka and Deloitte collaborate on analysing long-term development perspectives of Danish society. The initiative is independent of political ideologies and political and financial interests. The initiative uses both existing research-based knowledge and provides new independent analyses that result in research-based suggestions for solutions on how to create a better Denmark.

Previous reports:

- Denmark's potential - challenges and opportunities
- Social cohesion in Denmark
- The high-hanging fruits
- Mission Possible? The welfare state towards 2040
- Innovation – the key to sustainable growth
- A climate reform that delivers the magic 70 per cent
- Life with corona – new opportunities for the climate and the economy?
- The EU membership – a good deal for Denmark?

In addition, Small Great Nation's Youth Panel – consisting of 42 bright young minds – has drawn up the report: The Youth Panel's Vision for 2040.

Find these reports, analyses and debate input in the project here: <https://sgnation.dk/> or here [http://kraka.dk/small\\_great\\_nation](http://kraka.dk/small_great_nation).

Small Great Nation also includes conferences, webinars, podcasts, a youth panel and much more. Read more about the many activities here: <https://sgnation.dk/>.



# 1. Executive summary<sup>1</sup>

**The Danish labour market is strongly positioned in international analyses** The Danish labour market is doing well by international comparison when looking at its dynamics, at the level of long-term unemployment, and at how many people are working in low-paying jobs.

**Yet flexibility must be ensured** Even though the Danish labour market is doing well on many parameters, the Danish politicians and the social partners cannot rest on their laurels. We are seeing signs of the high dynamics in the Danish labour market could possibly be challenged in the future by requirements of greater job security.

**Denmark can do more to promote gender equality** The pay gap between men and women, as measured by the relative difference in gross hourly pay, is larger in Denmark than in countries like Sweden, Norway, Italy, and Spain.<sup>2</sup> Our analyses indicate that Denmark can do more for equality in the labour market, and the Danes strongly support this.

**Many young people do not complete a youth education programme** More and more young Danes are getting an education. Even so, there are still many people who have not completed a youth education programme when they reach the age of 25. One of our analyses shows that this group holds a relevant labour force potential although not as large as it used to be and perhaps even smaller than many would think.

In the report, we analyse some of the most pressing challenges faced by the Danish labour market. We also attempt a peek at the kind of trends that will affect the labour market in the next ten years. In this executive summary, we summarise the results and discussions from the full report titled "Fremtidens arbejdsmarked - en fest for alle?". The full report is available in Danish at [www.sgnation.dk](http://www.sgnation.dk).

## 1.1 Safeguard the labour market dynamics

**The flexicurity model** The Danish labour market model, called flexicurity, is characterised by a high level of flexibility, a well-developed safety net, and the employees are entitled to assistance in upgrading their skills and are obligated to be available for employment. The model involves that Danish businesses can easily hire or fire employees, and this way they can easily adapt to changes in market conditions. The safety net

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<sup>1</sup> This document serves as a summary in English of the full report titled "Fremtidens arbejdsmarked - en fest for alle?". The full report (Danish only) is available at [www.sgnation.dk](http://www.sgnation.dk).

<sup>2</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender\\_pay\\_gap\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics).

supports employees who lose their jobs and therefore reduces the financial risk of the high level of flexibility this involves for them. The active labour market policy upskills the unemployed to have the capabilities needed to fill job vacancies while at the same time demanding that the unemployed in fact be available for employment.

## Chapter 2

In chapter 2 of the full report, we describe the Danish labour market model, we take a look at how flexibility has developed in the Danish labour market, and we analyse the growth contribution from readjustments of the economy. Below is a summary of the key points from chapter 2.

A flexible labour market generates wealth

### **Danish labour market dynamics are high**

Labour market flexibility is key to Danish economy because this ensures efficient use of the labour force. In a flexible labour market, the labour force quickly moves to where it creates the greatest social value.

Labour market dynamics are high and stable

Denmark is one of the countries in the EU with the highest labour market dynamics. In 2018, around 25% of all employees had only been in their current jobs for less than a year, which is consistent with the average for the entire period from 1986 to 2018. This is indicative of high job rotation in Denmark.

New jobs are created in productive businesses

The reason for some of the dynamics is that jobs disappear in some businesses and are created in others. In the industrial sector, there is a clear trend towards jobs being created in highly productive businesses and disappearing in those less productive. Among the highly productive businesses, the net creation of new jobs accounts for 2.6% on average of jobs between 2002 and 2018 whereas it accounts for a negative 1.8% of the least productive businesses. The same applies in the service sector if start-ups are left out of account. This indicates that the dynamics observed help make Denmark more productive.

Increasing geographical mobility in Denmark

Geographical mobility in Denmark is close to the average among the Western European countries. Danes spend almost the same amount of time travelling to their workplace as people in the other Western European countries. There has been a trend in the past ten years that the Danes live further away from their workplace and that more and more of the employed work in a different municipality than the one they live in.

Falling replacement ratio in the unemployment benefit system

### **Flexicurity may be under strain**

The income that a pay earner can obtain as a benefit claimant is accounting for an increasingly smaller portion of their earnings. In the unemployment benefit system, this is referred to as a falling replacement ratio. The fall reflects the reduced adjustment of transfer payments, meaning that the maximum rate of unemployment benefit



does not increase concurrently with the pay level while changes have occurred in the distribution of pay so that more people earn such a high pay that they receive the maximum rate of unemployment benefit. Even though differences from the year to year are small, their significance to the replacement ratio over extended periods of time is great. If the reduced adjustment of unemployment benefits continues, there will come a time when the insurance element of the unemployment benefit system will no longer be attractive to many pay earners.

Yet no large-scale opt-out of the system by pay earners

So far, Danish pay earners have not opted out of the Danish unemployment benefit system on a large scale, so the replacement ratio does not seem to have grown so low that many pay earners decide not to insure themselves against unemployment. The number of labour force members having signed up with an unemployment insurance fund goes up in bad times and down in good times, but in the past 20 years it has seen a slight decline.

The number of private wage insurance schemes is soaring

The number of private wage insurance schemes has soared. In 2006, 3.9% of members of unemployment insurance funds also had a private wage insurance policy, and in 2020 this percentage had grown to 18.8%. The increase in recent years has been driven primarily by more group-based private wage insurance schemes. When pay earners increasingly decide to also buy additional private insurance, this suggests that more and more people find the replacement ratio in the unemployment insurance system too low.

Proposed improvement of insurance coverage

If pay earners believe that their safety net has been over-eroded, the result may be that they demand greater job security. This could reduce the flexibility of the Danish labour market to the detriment of the adaptability of Danish economy. Many Danes indeed say that they emphasise notice periods more today than they used to because of the development in the Danish unemployment benefit system. A proposal to have higher unemployment benefits in the first three months of the unemployment period conditional upon a strong employment history is exactly what is intended to improve the insurance coverage under the unemployment benefit system.

Readjustments of Danish economy can lead to increased wealth

**Declining growth contribution from readjustments of Danish economy**

A country can grow more prosperous by the individual industries becoming more efficient. This can be done, for example, by using new technology or more digitalisation. However, a country can also grow more prosperous by ensuring consistent and efficient distribution of productive resources among industries. The economy is constantly exposed to new influences, from without as well as from within, causing some businesses to become less productive and others more productive. The faster the economy is able to move productive resources like labour force and capital from less productive to more

productive businesses and industries, the more productive the economy becomes in general.

Denmark is experiencing a high yet declining contribution from reallocation

Historically, Denmark has experienced a very high growth contribution from reallocation across industries to the economy by international comparison, yet it is on a decline. In the manner determined in chapter 2 of the full report, reallocations among industries contributed with around 1% a year to Denmark's growth from the mid-90s, then going down to around 0.5% a year until 2008. Since 2020, the decline has been less than 0.2% a year, and so today it is less than half of the level leading up to the financial crisis.

Decline is a general trend in Western Europe

Despite this decline, Denmark is still among the European countries with the highest growth contribution from reallocation among industries. The declining trend is in fact also seen in many of the other old EU member countries, although with a few exceptions. However, Denmark is no longer in a unique lead.

Decreasing globalisation could be an explanation

One possible explanation for the declining growth contribution is that globalisation used to drive many structural changes in the economies that were of benefit to productivity. The pace of globalisation in the past decade has dropped remarkably, which may have reduced the growth contribution from reallocation.

Should Danes be worried?

Since this reduced growth contribution is very much a general trend in the Western countries, the Danes need not necessarily be worried but merely to expect lower growth rates in future. Analyses in the report suggest that the dynamics of the Danish labour market are high yet might be under threat. Danish politicians and the social partners should therefore have focus on how to maintain the high level of flexibility in the Danish labour market. A proposal to have higher unemployment benefits in the beginning of the benefit period – for example, an additional DKK 5,000 in the first three months of the unemployment period – but conditional upon a strong employment history, for instance, that the unemployed has had employment for two years and nine months within the past three years – would probably be a relatively inexpensive and effective instrument to continue to ensure flexible notice periods in Denmark.

## 1.2 The edge of the labour market

The social model is characterised by heavy public expenditure

The Danish social model is characterised by the public authorities making a long range of services available, such as healthcare services and education, to citizens and ensuring compensation for them should they lose their income. This model therefore involves relatively high public expenditure.

A high level of

A high level of employment is one of the prerequisites for the Danish social model being long-lasting. A large portion of the population must

employment is a prerequisite for this

have work, pay taxes, and so finance public spending if revenue is to match expenditure.

Potential on the edge of the labour market

That is why the interest in people on the edge of the labour market is great. If society is able to improve their attachment to the labour market, this would strengthen public finances because of more taxes being paid, and public expenditure would go down because of less transfer payments being made.

Chapter 3

In chapter 3 of the report, we analyse the labour force potential of the group of uneducated 25-year-olds. We also have a look at whether it takes longer for people who lose their jobs in small regional labour markets to find employment again than people losing their jobs in the capital area. Below is a summary of the key points from chapter 3.

Fewer uneducated young people...

### **Young people without an education**

The share of 25-year-olds not having completed a youth education programme has decreased steadily and significantly from close on 35% of a year group in 1985 to around 15% in 2019. This is a huge success and a reflection of, for example, a number of initiatives designed to make young people start an education. However, there are still some 12,000 25-year-olds in 2019 who have not completed or are not attending a youth education programme.

...yet on average they have grown weaker

The reduction of this group has also led to uneducated 25-year-olds today on average doing worse when measured by employment, income, and primary school results than they did earlier. However, within this group, there are considerable differences. The 25-year-olds with relatively strong attachment to the labour market subsequently only do a little worse than skilled workers measured by income and employment. And some of them complete a qualifying education later in life. On the other hand, those 25-year-olds with relatively weak attachment to the labour market are doing much worse than skilled workers. When the group as a whole is doing worse and worse compared to skilled workers, it is because the number of people in the group with strong attachment to the labour market goes down year by year, but it is also because both those strongly attached and those weakly attached to the labour market in this group are doing worse measured by employment.

More difficult to realise the potential

When the group grows weaker, this also means that the labour force potential is smaller and harder to unlock for the remaining young people in this group. It will probably take other and earlier initiatives than the traditional ones if they are to be brought closer to the labour market. An estimate of the employment potential suggests around 900 people a year. Over a 30-year period, this is equivalent to around 27,000 people, or 1% of those employed in 2019. This is a significant potential yet perhaps smaller than many people would think.

Research points to early initiatives

But how do you help people with complex challenges get closer to the labour market? Our analysis suggests better support in completing a youth education programme because many enrol but drop out again. The analysis also points to intensified focus on young men since the share of men in the group of uneducated 25-year-olds has been growing strongly. Research generally shows that you get the most out of learning-oriented initiatives the younger the children are. For an early initiative to be effective, you need to be able to identify children with a high risk of ending up with no education. That is why more knowledge is needed about the circumstances increasing the risk of ending up with no education and of weak attachment to the labour market. Previous analyses point to, for example, absence during primary school and mental health problems but also to high-risk individuals being difficult to identify before they reach their teens.

The labour market varies across Denmark

### **More critical to lose your job in remote areas**

The relevant job market for a job seeker varies a lot depending on where you live in Denmark. In some areas, there are many job vacancies per unemployed. Here, it is easier to find a job than in areas with few job vacancies. In some places, you have access to a large job market with both many job vacancies and many unemployed. This is the case, for example, around the large cities. A large job market gives employees and employers multiple opportunities to choose from, and this may improve the chances of a good match.

Longer unemployment periods and larger wage losses in remote areas

We show that job seekers in large job markets, such as the capital area, find employment again sooner than those in small regional job markets. Three months after losing your job, the employment rate is close to 4 percentage points higher in the capital area compared to a remote area with the same number of job vacancies per unemployed. By comparison, the average employment rate is 78% after three months, corresponding to a difference of 5%. We also find that large job markets mean that, unlike in small job markets, you do not see a decrease in pay in your new job compared to the previous job.

Targeted supplementary training may counter this

If there is a political will to help people who become unemployed in the remote areas, focus could be intensified on an active labour market policy and supplementary training activities in vulnerable areas and industries since this may enable job seekers to widen their search field and so find employment more quickly and ease the readjustment of the economy.

## 1.3 Men and women in the labour market

On average, women earn less than men

On average, women in Denmark earn DKK 87 when men earn DKK 100.<sup>3</sup> The gap between men and women can be a result of many

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<sup>3</sup> jf. <https://www.dst.dk/da/Statistik/emner/levevilkkaar/ligestilling/ligestillingswebsite#4>.

different factors, among them, choice of education, experience, choice of industry, career ambitions, managerial responsibility, family-related decisions and discrimination.

The glass ceiling for women

One of the reasons is that there are fewer women than men in the top management of the Danish corporate sector. This might not come as a big surprise. However, there are also significantly less women in top management of the Danish corporate sector compared to the Swedish corporate sector. When women are underrepresented in managerial positions, it is often referred to as a glass ceiling that prevents them from getting to the very top.

Chapter 4

In chapter 4, we analyse the significance of having children to the income of mothers and fathers. For example, we look into whether there are differences across educational levels and distribution of the maternity leave. We also analyse potential reasons why fewer women get to the top in the Danish business society. Below is a summary of the key points from chapter 4.

Women's pay is lagging behind men's after the first child

#### **The effect of children on the pay gap between men and women**

Much of the pay gap between men and women can be explained by women's pay on average not matching that of men once they have had their first child. The effect on a woman's pay after having had a baby can still be seen ten years after giving birth, corresponding to a 20% reduction in the woman's income compared to a scenario with no child, whereas men's pay is not affected by having children.

The pay gap is narrower amongst couples where the male partner takes a larger share of the leave

There may be many explanations as to why women's pay is affected more adversely than that of men when couples have children. Multiple studies show that it is typically the woman who takes on most of the childminding work and point to an unequal distribution of the maternity leave as a possible cause. In continuation hereof, we show that having children is generally of less significance to the pay gap in families where the maternity leave is shared more equally.

A narrower pay gap amongst couples with a long education

The parents' level of education also has a bearing on how having a child affects the pay gap. We show that children are of less relevance to the pay gap with couples having completed a long education and that this has probably to do with the perception of gender roles varying across education groups.

Female leaders are considered just as good as male leaders

#### **Women have lower leadership ambitions and believe less in their own leadership skills**

A brand-new survey among Danes shows that employees are just as pleased with female leaders as male leaders. This circumstance does not depend on the gender of the respondent.

Men have more faith in their own abilities

Nevertheless, we can see from our survey that women's ambitions to have managerial responsibility during their careers are lower and that

they have lower faith in their own leadership skills. As a result, women apply for fewer managerial positions than men do.

Danes back actions for gender equality

### **Danes want more equality in the labour market**

Danes generally back political steps aimed at narrowing the pay gap between men and women. The most popular step is a political one designed to even out the pay gap between public sector employees in traditionally male-dominated and female-dominated professions. Danes also back finding a solution to the issues that influenced the last collective bargaining process in the public sector and that resulted in a new committee being appointed to map out pay differences between the professions. Earmarked leave for men also enjoys great support. Conversely, there is relatively little support for introducing quotas for how many directorships and managerial positions should be held by women.

## 1.4 The labour market of the future

New technology and green transition pose new challenges

The development of new technologies, including artificial intelligence, will change how our society is organised. The green transition will affect our patterns of consumption and work. This means that there will also be new requirements for the labour force, and it is therefore important that society provides training and education according to labour market needs.

Chapter 5

In chapter 5 in the full report, we look into what the impact of technological developments, the coronavirus pandemic and the green transition will have on the labour market's future. The social debate has focused a lot on Denmark having a shortage of skilled workers in 2030. We will critically evaluate what data tell us. Below is a summary of the key points from chapter 5.

Effects of the coronavirus pandemic on the labour market

### **Coronavirus, technology, and green transition**

The coronavirus pandemic caused a radical change of the Danish labour market. The lockdown and the risk of infection had massive adverse implications for activities in many industries whereas other industries enjoyed great success. However, there are also signs of the pandemic having accelerated trends that were already on their way.

More remote working and more e-business

For example, the view on remote working and virtual meetings has grown more positive. Expectations are therefore that more people will work from home in the future, which may produce socio-economic benefits, for example, travel time saved. Also, more consumers have discovered online shopping, and the volume of e-business is expected to continue to increase. This may have an impact on employment in certain industries where, for example, fewer shop staff may be needed and more people to optimise logistics may be needed.

A huge automation potential in Denmark

The coronavirus crisis may also have boosted demand for more automation in industrial businesses. Studies show that a huge automation potential exists in Denmark and that this potential is only increasing as new technologies are developed.

Concerns about technology-generated unemployment

The prospect of new technologies and increased automation is causing concern among the Danes that the number of jobs will decrease. However, there is nothing to suggest that new technologies cause unemployment. Quite the contrary! One of the reasons is that there is strong interaction of labour among industries. For many decades now, manpower has moved, for example, from the agricultural and industrial sectors to the service sector. Furthermore, there will typically be a considerable time span from when a new technology is invented until it is widely used in society. This allows the politicians to make the necessary adjustments to the education and supplementary training system so that the labour force will have time to adjust.

Danes believe the green transition will create more jobs

The ambitious Danish climate targets presuppose massive acceleration of the green transition towards 2030 that may affect many industries. The Danes are not worried, however, that this will cost them their jobs. Quite the reverse, many expect the green transition to create more jobs. Since 2021, the number of jobs in the green field has indeed gone up by 16,300 full-time employees.

Difference between a flat tax rate and direct regulation

Kraka and Deloitte has recommended a flat tax on emission of all greenhouse gasses equivalent to DKK 1,250 per tonne of CO<sub>2</sub> because it is the most cost-effective way to realise the reduction target. How the labour market will be affected by the green transition will depend on the type of tools implemented to achieve the target. A flat tax without any deductions would, for example, hit the agricultural sector and the food industry hard. More direct regulation through, for example, subsidies or deductions would increase the welfare loss but may instead cause less radical changes for specific sectors such as agriculture.

Social debate focuses on a possible skills shortage

#### **Will Denmark be short of 99,000 skilled workers in 2030?**

The social debate has had much focus on projections showing that Denmark will be short of 99,000 skilled workers in 2030 and have a surplus of 25,000 people having completed higher education programmes.

Projections do not allow for flexibility

Projections of the supply of and demand for skilled labour can be useful to give guidance in education policy making. However, they do not allow for labour market flexibility and will therefore often overestimate the scale of labour shortage.

Shortage in 2030 presumably

Skills shortage in the past ten years has been much lower than many had predicted in both 2005 and 2010. This is therefore one of the

overestimated

reasons why our conclusion is that a recent projection showing that Denmark will be short of 99,000 skilled workers in 2030 is probably also too pessimistic.

No indications of a structural mismatch from 2013 to 2019

We have not found any indications of a structural shortage of a skilled or further trained labour force in the period from 2013 to 2019. This is reflected in no increasing recruitment problems having occurred during this period and in the fluctuations observed primarily being attributable to the business trends. Should a shortage of a more permanent nature arise, this would be a shortage of people having taken a medium level education.

Flexibility mechanisms counter shortage

The absence of a general labour shortage is presumably because the labour market has some flexibility mechanisms that can help relieve a threatening shortage of labour. For example, businesses can substitute between different types of manpower, adjust pay, attract more foreign manpower, or – in some industries – make use of more overtime.

Less training and education are not the right way to get more skilled labour

Forcing through a general reorganisation of the education activities towards fewer people with higher education and more skilled workers based on a projection that is uncertain and does not allow for the flexibility mechanisms of the labour market, is therefore, on a general level, something to be careful with. A general effort to shift people from being unskilled to skilled does, however, seem to be able to help relieve shortages. Moreover, an additional investment in training and education on specific vocational training programmes where there is presumably a high likelihood of a skills shortage would of course be appropriate.

## 1.5 The reform process in Denmark

The government has presented its reform programme

The government has presented its reform programme “Denmark Can Do More I!”. The overall objective of this programme is to attract more people into employment. The reform programme contains a number of proposals, among them, a reduction of the unemployment benefit rate for graduates, a higher unemployment benefit rate in the first three months conditional upon some criteria, and the establishment of new climate-focused vocational schools.

A reform committee appointed

The government has appointed a reform committee with the goal of advising the government in terms of providing specific input for reforms. The Reform Committee's first report points out five overall challenges that the Committee will focus on to solve the upcoming recommendations. These five challenges are uneducated young people, adults weakly attached to the labour market, an outdated education system, the meeting between citizens and public authorities, and untapped productivity potential.



## Chapter 6

Since our first report in November 2017, the Small Great Nation initiative has regularly issued recommendations related to these five challenges. In chapter 6, we go over these recommendations so that they may serve as inspiration for the Reform Committee and the government in the reform process.

### Denmark must be more outward-looking

Some of the recommendations are that Denmark must be even more outward-looking by, for example, making it easier to hire foreign labour or by working for better free trade agreements. International trade, cross-border mobility of labour, and cross-country investments are key sources to strengthen productivity. Trading enables Danes to buy cheaper products. Foreign labour is a stabiliser of Danish economy and a positive contributor to public finances. Foreign students too are positive contributors because they often stay in Denmark after having completed their studies.

### Supplementary training fails to fulfil its purpose

Even though on an overall scale Denmark wins by being outward-looking, there are specific people who experience occasional losses from globalisation, new technology and green transition, for example, because they lose their jobs. For these people, supplementary training is key to make sure they have the necessary qualifications to accept job vacancies. Denmark is spending considerable resources on supplementary training, yet an analysis from Small Great Nation shows that, in practice, the supplementary training system has too little focus on reskilling people who work in vulnerable sectors. That is why publicly financed supplementary training should to a higher degree be geared to reskill people to new jobs and be rolled out to a larger portion of employees who find themselves in job functions that are the most vulnerable because of globalisation, new technology, green transition, etc.

### The edge of the labour market

Other recommendations, of which some are included in this report, are about improving efforts with respect to the 550,000 people outside the labour market. Previous Small Great Nation analyses show that friends in kindergarten and school are of great importance to a person's performance later in life. This supports that the government should, for example, focus more on early initiatives.

### Denmark will need new capabilities

The remaining recommendations concern the training and education system. The labour market and the need for capabilities change regularly, and it is therefore relevant to adjust the Danish training and education system so that it is more future proof. The need for basic skills such as reading, writing, mathematics, critical thinking, social abilities and problem-solving is generally on the rise. Focus should be on these qualifications and skills early in the training and education system. There is also an increasing need for specialist capabilities in fields such as programming, which should be a focal point later in the training and education system.

